



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

August 19, 1994

THE DIRECTOR

M-94-28

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM:

Alice M. Rivlin
Acting Director

SUBJECT:

Contracting Out and the 272,900 FTE Reduction

As you know, the Federal Workforce Restructuring Act of 1994 (P.L. 103-226), requires that Federal full time equivalent (FTE) employment be reduced by 272,900 employees by 1999. Section 5(g) of the Act prohibits agencies from converting the work of employees included in the 272,900 reduction or the work of employees that accept a buyout from in-house to contract performance, unless a cost comparison demonstrates that such a conversion would be to the financial advantage of the Government.

The National Performance Review (NPR) has recommended that FTE reductions be achieved primarily through consolidating or eliminating field offices, reducing management layers, and the other efforts identified in your agency streamlining plans. We do not expect that the work of these employees will be simply converted to contract performance and ask that you exercise vigilance in complying with the provisions of Section 5(g). In those instances where conversions to contract may be appropriate, agencies should rely on the cost comparison requirements of OMB Circular A-76, where applicable. In those areas where Circular A-76 does not apply, agencies may develop alternative cost comparison approaches in response to the cost comparison requirements of Section 5(g) or may use Circular A-76 procedures.

Agencies are requested to maintain current information on the status of their efforts to meet the 272,900 reduction and any efforts to convert work from **or** to in-house and contract performance. The information maintained should include the number of contracts awarded, FTE impacts and related dollar savings.